

FISCAL MEMORANDUM

SB 3830 – HB 3456

March 4, 2008

SUMMARY OF AMENDMENT (014388): Adds tarpaulins and other canvas or plastic sheeting, when used to cover agricultural commodities, equipment and machinery, to the list of items proposed to be exempt from state and local sales tax.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue - \$88,000

Decrease Local Revenue - \$28,300

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Decrease State Revenue - \$267,600

Decrease Local Revenue - \$86,000

Assumptions applied to amendment:

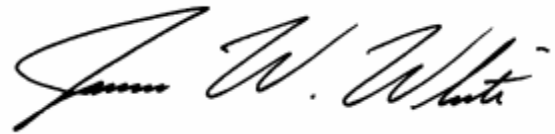
- The estimated decrease of state revenue attributable to the original language of the bill was \$88,000 ($\$1,257,300 \times 7.0\% = \$88,011$) per year.
- The estimated decrease of local government revenue attributable to the original language of the bill was \$28,300 ($\$1,257,300 \times 2.25\% = \$28,289$) per year.
- According to the Department of Revenue (DOR), canvas coverings are currently sales tax exempt; tarpaulins are sales taxable.
- According to DOR, there are approximately 87,500 farms in Tennessee.
- DOR indicates that approximately 33.3 percent of such farms (29,138) are farms that produce grain, cotton, tobacco, or other crops.
- Each crop farm purchases five qualified tarpaulins once every ten years for covering crops.
- All Tennessee farms purchase two qualified tarpaulins once every ten years for covering equipment.
- The average cost is estimated to be \$80 per qualified tarpaulin.

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- Taxable sales that would become tax-exempt are estimated to be \$2,565,500 $\{[(29,138 \times 5 \times \$80) + (87,500 \times 2 \times \$80)] \div 10 = \$2,565,520\}$ per year.
- The current state sales tax rate is seven percent.
- The decrease of state tax revenue attributable tax-exempt tarpaulins is estimated to be \$179,600 $(\$2,565,500 \times 7.0\% = \$179,585)$ per year.
- The local option sales tax rate is estimated to average two and one-quarter percent.
- The decrease of local government revenue attributable to tax-exempt tarpaulins is estimated to be \$57,700 $(\$2,565,500 \times 2.25\% = \$57,724)$ per year.
- The total decrease of state revenue for the bill as amended is estimated to be \$267,600 $(\$88,000 + \$179,600 = \$267,600)$ per year.
- The total decrease of local government revenue for the bill as amended is estimated to be \$86,000 $(\$28,300 + \$57,700 = \$86,000)$ per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc